movement toward a competitive market by the end of the AB 1890 funding period."[68] However, SB 1038 extended the program for an additional four years. It has taken longer than anticipated to aid existing renewables through their transition to reduce costs and renegotiate contracts to generate sufficient revenues to meet their needs.

In his response to the *2003 Energy Report*, Governor Schwarzenegger emphasized the importance of competitive processes as a central principle of the state's renewable energy policy. In addition, the Governor stated that he expects the following to be used as the basis for developing energy-related policy for biomass:

> I support the Biomass Collaborative and its potential for contributing to the diversity of energy resources and have reinvigorated the Interagency Working Group, composed of state agencies with important biomass connections, to develop an integrated and comprehensive state policy on biomass. This policy should include electricity, natural gas, and petroleum substitution potential. It should also reflect the substantial potential benefits, such as reducing municipal solid waste, which a wide range of conversion technologies can capture. The Energy Commission's Public Interest Energy Research program should support this initiative.[69]

An integrated approach to convert biomass waste to fuel for both electricity and transportation takes on added importance in the context of the Governor's greenhouse gas (GHG) reduction goals to lower GHG emissions to 2000 levels by 2010; reduce GHG emissions to 1990 levels by 2020; and reduce GHG emissions to 80 percent below 1990 levels by 2050.[70] ~~When living, biomass draws carbon dioxide from the air. This carbon dioxide is released when the biomass decays, burns, or is used to generate electricity. For this reason, biomass is considered to have a net zero effect on carbon dioxide emissions. If fossil fuels are used to transport biomass, then a net increase in carbon dioxide emissions results. If transportation fuels derived from biomass or other renewable energy sources are used to haul biomass fuels, this impact can be reduced.~~

~~The industry points out that methane and hydrocarbons are emitted from solid-fuel biomass when burned in an uncontrolled process. Controlling their release is one of the environmental benefits of the controlled combustion of solid-fuel biomass.~~[71]

In addition, accelerating the use of biomass to generate electricity is identified as part of the proposed fire fuels management strategy in the *Draft Climate Action Team Report to the Governor and Legislature.* In the draft work plan for this proposed fire fuel management strategy, biomass generators are described as a way to develop new markets for "low value and small diameter trees."[72]